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SENSITIVE
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STATE FOR NEA/MAG (HARRIS)
STATE PASS USTR (BELL), USPTO (ADLIN AND ADAMS), USAID (MCCLOUD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (JAMES), AND CLDP
(TEJTEL)
CASABLANCA FOR FCS (ORTIZ)
LONDON AND PARIS FOR NEA WATCHER

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TAGS: ECON ETRD SENV EFIN BEXP ENRG TS
SUBJECT: TUNISIA ECONOMIC HIGHLIGHTS: Jan. 16 - Jan. 31

REF:

¶1. (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

¶A. GOT Promotes Solar Energy
¶B. Maghreb Ministers of Commerce Discuss FTA
¶C. GOT To Tax Offshore Companies
¶D. 6.5 Million Tourists in 2006

GOT Promotes Solar Energy

¶2. (U) On January 23, privately-operated Attijari Bank signed an agreement with state-owned power utility Tunisian Company for Electricity and Gas (STEG) and the National Agency of Energy Conservation to provide 117 million dinars (US $90.23 million) in loans to households and companies for the purchase of solar panels. The solar panels, which will power water-heaters, range in price from 550 dinars (approximately USD 424) to 1,150 dinars (roughly USD 887). Loan terms will be five years, with payments added to customers' electricity bills.

¶3. (SBU) Comment: Tunisia relies largely on natural gas and oil for the generation of electricity. This has taken a toll on the Tunisian economy, given high global oil prices (06 Tunis 2749). The promotion of solar energy represents the latest in a series of GOT measures aimed to reduce dependence on oil and to adopt alternative energy sources. End Comment.

Maghreb Ministers of Commerce Discuss FTA

¶4. (U) On January 25, ministers of commerce from Libya, Morocco, Mauritania, Algeria and Tunisia, as well as Arab Maghreb Union (AMU) Secretary General Habib Ben Yahia, met to discuss regional economic

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integration and the planned creation of a regional free trade zone. The ministers agreed to dismantle tariffs through a tiered process,

progressively eliminating tariffs in three phases. Three lists of products will be established: the first list of products will be tax-free from the first day of FTA implementation, the second list will go into effect three years later and the third list after five years. The FTA will operate according to the principle of "Maghreb preference," whereby each member country will expand advantages allowed to other trading partners, such as the European Union, to its Maghreb partners. There is no timetable for implementation of a free trade zone.

¶5. (SBU) Comment and Background: Intra-Maghreb trade remains at extremely low levels years after the Arab Maghreb Union's creation in 1989. While Maghreb leaders continue to pay lip service to the desire for a Maghreb free trade zone, there are no indications that such a zone might become a reality in the near term. This meeting represents the eighth session of the Maghreb Ministers of Commerce Council, six years after the seventh session, which was held in Algiers in 2001. AMU activity is set to increase in 2007 with the creation of two Maghreb institutions to promote increased trade and investment. In February, the Maghreb Businessmen's Council will be established in Marrakesh, and in March the Maghreb Bank for Investment and Trade will be created in Tunis. End Comment and Background.

GOT to Tax Offshore Companies

¶5. (U) Recent amendments in the Corporation Tax Law have expanded the tax on corporate income to the 2,500 (totally exporting) offshore companies established in Tunisia. Offshore companies registering after January 1, 2008 or whose 10-year tax exemption has expired will be subject to a 10 percent tax on profits. The GOT decision to tax offshore companies complies with an IMF recommendation to phase out the institutional separation between

offshore and onshore sectors. According to the IMF, the separation between Tunisia's onshore and offshore sectors has become difficult to justify in light of Tunisia's increased economic integration with Europe, in particular.

6.5 Million Tourists in 2006

¶7. (U) The National Office for Tunisian Tourism (ONTT) announced that 6.5 million tourists visited Tunisia in 2006, representing a modest 2.7 percent increase over 2005 figures. Tourism is a major source of foreign exchange or Tunisia, bringing in roughly 20 percent of Tunisia's hard currency receipts. Hard currency receipts from tourism increased 6.3 percent from 2.59 billion dinars (USD 1.99 billion) in 2005 to 2.75 billion dinars (USD 2.09 billion) in
¶2006. The majority of tourists continue to hail from Europe and the Maghreb, despite efforts to attract tourists from Asia and North America.
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